Mobil

Annual report 1971

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Sable Island (front cover and this page) was the site of a Mobil oil discovery in 1971—the first by any oil company on the East Coast of North America. Sable's inhabitants, other than rig crews and a few residents who maintain its two lighthouses and weather station, include as many as 1,500 large gray seals and nearly 200 wild horses, descendants of survivors of a wrecked 18th century French galleon. The island's wild life is undisturbed by company drilling operations.

Mobil Oil Corporation Annual report 1971

The year in brief	1971	1970
Financial		
Revenues	$9,392,512,000	$8,310,319,000
Net income	$ 540,795,000	$ 482,707,000
Per share *(based on average shares outstanding)*	$ 5.33	$ 4.77
Cash dividends	$ 258,798,000	$ 243,090,000
Per share	$ 2.55	$ 2.40
Shareholders' equity *(end of year)*	$4,831,933,000	$4,540,103,000
Per share *(based on shares outstanding at end of year)*	$47.59	$44.81
Capital and exploration outlays	$1,037,576,000	$ 879,475,000
Total assets *(end of year)*	$8,552,273,000	$7,921,049,000
Operating* (barrels daily, except natural gas)		
Gross production of crude oil and natural gas liquids *(together with quantities received under long-term arrangements)*	2,294,000	2,083,000
Natural gas production *(thousands of cubic feet daily)*	3,545,000	3,379,000
Refinery runs of crude oil and natural gas liquids	2,081,000	2,004,000
Petroleum product sales	2,248,000	2,145,000

*Operating statistics include the corporation's interest in the operations of companies owned 50% or less.

An important part of the domestic and foreign operations covered by this report is carried on by operating divisions, subsidiaries, and affiliates conducting their respective businesses under the direction and control of their own managements. For convenience, this report uses such terms as "Mobil Oil," "Mobil," "corporation," "company," "we," and "our" sometimes for the parent corporation and all such divisions, subsidiaries, and affiliates collectively, and sometimes for one or more of them.

Mobil Oil Corporation, 150 East 42nd Street, New York, N.Y. 10017

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To our shareholders

Mobil's earnings last year reached a record $540.8 million, or $5.33 a share, 12.0% higher than the $482.7 million, or $4.77 a share, earned in 1970. The company has increased its earnings for 13 consecutive years.

Dividends in 1971 were $2.55 a share, compared with $2.40 the year earlier. Dividends have increased each year for the past 11 years.

Assets rose from $7.9 billion at year-end 1970 to $8.6 billion at the end of 1971. Revenues, including excise and state gasoline taxes, rose from $8.3 billion in 1970 to $9.4 billion in 1971.

Operating volumes, particularly overseas, were a key factor in the company's improved earnings. Total worldwide crude oil and natural gas production, refinery runs, and petroleum product sales volumes all reached new highs. Although there was a slowdown in overseas demand growth during the year, prices abroad were generally higher than the depressed levels during much of 1970. Costs, both in the United States and abroad, were up sharply in 1971; in this country they have not yet been completely recovered in the marketplace.

The cost of crude oil abroad rose substantially following agreements reached in 1971 between international oil companies and certain nations in the Organization of Petroleum Exporting Countries (OPEC). This settlement was followed later in the year by the monetary crisis and subsequent agreement for devaluation of the U.S. dollar. As a result, several OPEC nations obtained further increases, in early 1972, in the posted price of crude oil (as expressed in U.S. dollars) to offset the currency changes.

Discussions have begun between a number of OPEC nations and oil companies on the possibility of government participation in the ownership and management of operating companies. We cannot at this time predict the outcome.

While these discussions are going on in the international arena, the oil industry is being challenged in the United States to deal with the so-called "energy gap" between demand and foreseeable supply. Naturally, there can be no gap in Mobil's planning for future growth in petroleum consumption. To the extent that there is demand for energy at reasonable prices, we must plan to meet that demand in the optimal manner.

The gap is in prospect because the usual, reasonably priced sources of energy appear inadequate to meet growing demand. Some have suggested that the gap be eliminated by reducing this demand. However, a limitation on growth in energy would fall most heavily on those members of U.S. society who aspire to, but have not yet attained, average levels of consumption. We do not believe that such an arbitrary limit on energy growth can be acceptable to the American people.

Concern for the quality of the environment inevitably, and quite properly, enters into the search for acceptable solutions. Based on the scientific and technical experience we have gained over the years, we are confident that the energy demand we see ahead can be met while adequate environmental safeguards are still provided. We hope critics of modern industry will come to realize that this middle ground is not only possible, but necessary.

Meanwhile, the use of fuels that are not abundantly available on short notice has been mandated. The result has been a substantial increase in the demand for the very low-sulfur fuel oils and natural gas. Both are in relatively short supply, and volumes cannot be increased on short notice or at low cost. Natural gas supplies have been further burdened by a long period of government regulation which depressed prices, thereby stimulating consumption of gas which could not be replaced at those price levels. At the same time, the low gas price has tended to inhibit exploration specifically for gas.

The current picture in the United States is one of limited energy supplies against a backdrop of rising demand growth. In the short run the only feasible means of supplying growing demand, while extending the nation's limited reserves, will be to increase imports. Yet imports will make certain areas of the country more reliant on overseas supply which is more exposed to interruption than domestic production. To reduce this risk, it may be necessary for the nation to consider "stockpiling" oil in those areas most dependent on imports.

Long term, of course, the best insurance against interruptions or high prices for overseas oil will be through development of U.S. energy sources which will once again make the nation virtually self-sufficient. Nuclear plants will ultimately supply large segments of electricity demand, and there is promise of enormous quantities of oil and gas processed from coal and shale. But development of practical processes will take time, and costs will be substantial in relation to what we are accustomed to paying for oil. Even so, these developments must go forward.

A more immediate energy source is the oil and gas still to be found in the unexplored regions of Alaska and beneath the ocean floor along the U.S. coasts. While such exploration is expensive and faces resistance from environmental groups, we are convinced that it can be carried out at reasonable cost, and in a manner compatible with the maintenance of the quality of our environment.

To do what is expected of us will require enormous outlays of capital, which will necessitate a growing reliance on outside financing. To enable companies to earn a rate of return adequate to support such financing, as well as to compensate for increasing costs, petroleum product prices will have to rise.

Mobil alone made capital and exploration outlays in 1971 of more than $1 billion, and we plan to exceed that amount this year. Fresh infusions of capital will help us continue to add facilities and equipment to meet growing customer requirements around the world.

To help finance continued growth, Mobil went to the money market in September, 1971, for $200 million in debentures. A planned offering of $300 million in debentures and notes in February, 1972, was postponed because of changes in financial market conditions.

Mobil's future holds many promising opportunities. We believe we can turn them to profitable advantage because we have the human and material resources to continue our indispensable role in helping to meet society's energy requirements.

We thank Mobil people everywhere for their contribution to the corporation's progress. Mobil's fine performance in 1971 reflected their ability and dedication, and their recognition of the importance of their work. These qualities, as well as sensitivity to social and economic needs around the world, will stand us in good stead in the coming years.

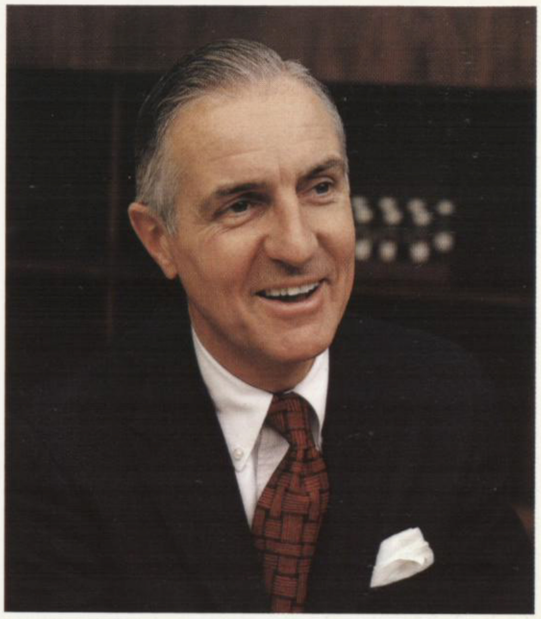
Rawleigh Warner Jr.

CHAIRMAN

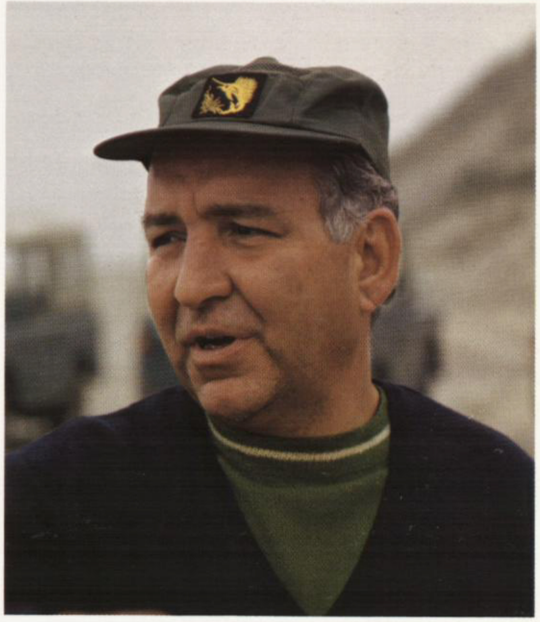
W. P. Tavoulareas

PRESIDENT

March 3, 1972



Rawleigh Warner, Jr.



William P. Tavoulareas on Sable Island.

Operating review: Mobil around the world

In a world where demand for energy is constantly expanding, Mobil in 1971 supplied record volumes of petroleum products and natural gas to customers around the world.

Total worldwide production of liquid hydrocarbons was at an all-time high, although up only fractionally in North America.

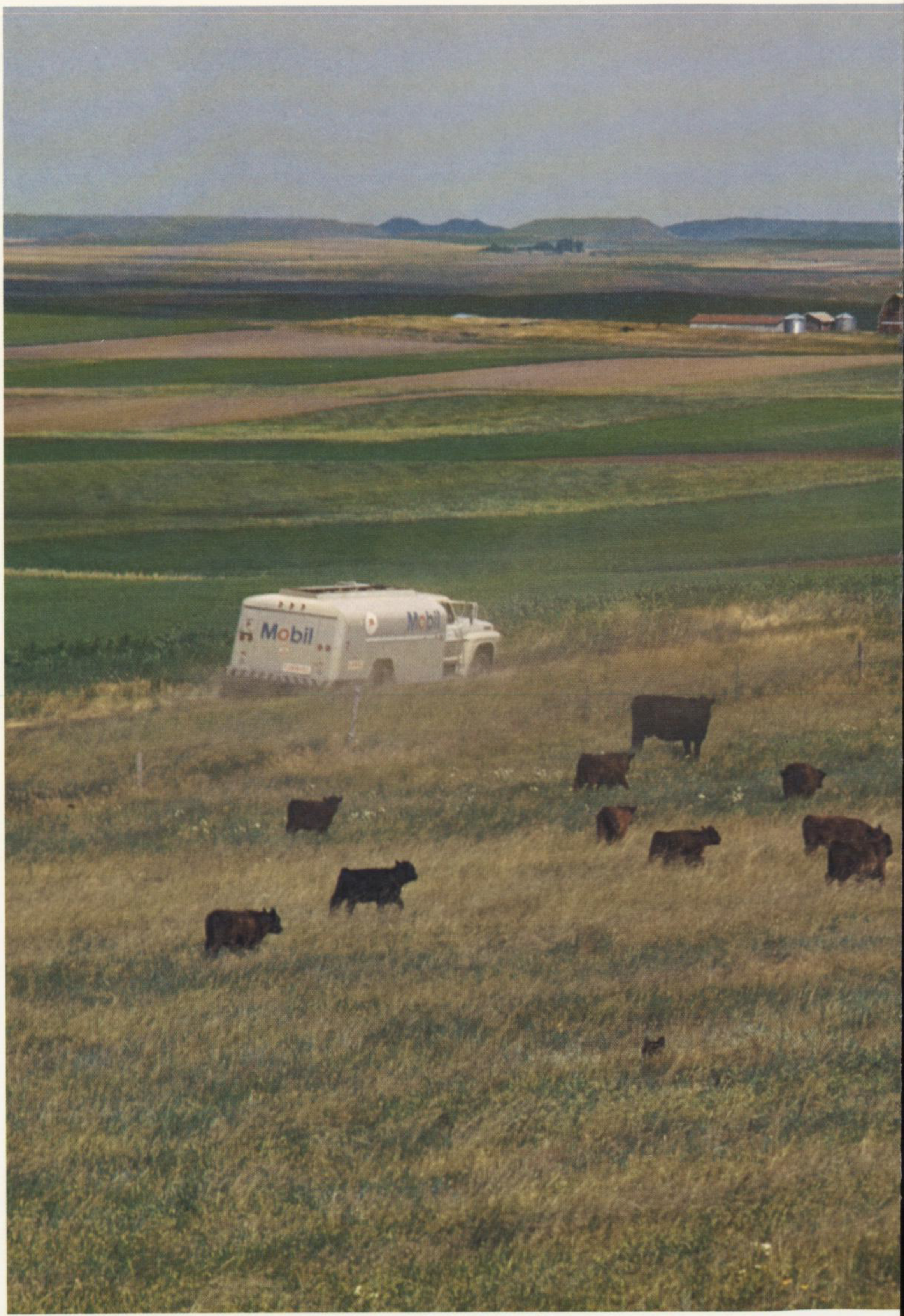
To transport increasing volumes of crude oil, Mobil's fleet of 129 tankers at year end included 10 giant tankers of over 200,000 tons each—four owned and six on long-term charter. Five similar tankers were ordered during the year.

From Joliet, Ill., to Jurong, Singapore, we continued to carry out a worldwide refinery expansion program that will add significantly to our total capacity.

We introduced a new low-lead detergent gasoline into 68 major U.S. markets.

In our chemical business, we introduced a line of plastic tableware and a family of specialized coatings and extended our plastic packaging business to Canada and Europe.

In research, we continued to concentrate on developing improved refining catalysts, higher quality fuels and lubricants, and more efficient methods of oil exploration and production.



Farms remote from major marketing areas, no less than service stations, homes, and factories, need regular supplies of oil products. Here, diesel fuel is delivered to a South Dakota farm.

Exploration and producing

Our worldwide production of crude oil and natural gas liquids set new records in 1971. Nearly all the gain, however, was overseas. Total North American production of crude oil and natural gas liquids was up only slightly over 1970. North American crude production alone declined by 1,000 barrels a day. Natural gas production rose both in North America and overseas.

Our Canadian affiliate made a promising discovery in the Atlantic, and we participated in significant discoveries in the Gulf of Mexico. We continued to develop oil fields in Nigeria, and improved our worldwide acreage position, notably in the British North Sea, Iran, Malaysia, Nigeria, Tunisia, and Venezuela.

Worldwide gross production of crude oil and natural gas liquids, together with quantities received under long-term arrangements, averaged 2,294,000 barrels a day, a 10.1% increase over 1970. This included production in North America of 574,000 barrels a day.

Worldwide production of natural gas rose 4.9% to 3.5 billion cubic feet daily, including continued significant increases in Canada and Germany. In the United States, where most of our natural gas is produced, production rose 3.4%.

In October, Mobil completed a discovery at the western tip of Canada's Sable Island, a 20-mile sandbar in the Atlantic Ocean 175 miles east of Halifax, Nova Scotia. Of 18 different zones tested, all but one flowed hydrocarbons. Seventeen flowed natural gas; 12 also flowed condensate (liquid hydrocarbons that are gaseous before they flow to the surface); four also flowed high-gravity, low-sulfur crude oil.

The 11,280-foot discovery well, known as the Mobil Tetco Sable Island E-48, was drilled by Mobil as operator under an agreement with Texas Eastern Transmission Corporation on a 1.1 million permit acre block. Under the agreement, Texas Eastern may invest funds in the exploratory drilling program in exchange for certain rights up to a 15% interest in a portion of the 12.1 million permit acres Mobil holds on the Scotian shelf.

Drilling of a new exploratory well on Sable Island, four-fifths of a mile east of the discovery well, began in December. We have a total of 29 million net acres under permit off the Canadian east coast, one of the most extensive positions in the area of all the major oil companies.

In the Gulf of Mexico off Western Louisiana, the company now has interests in 11 tracts auctioned by the federal government in December, 1970. Of the 11 tracts, five have been proved productive, four are partially evaluated by dry holes, and two are undrilled. Development drilling is under way on two of the tracts, and additional exploratory wells are being drilled in 1972.

Elsewhere in North America, Mobil:

☐ Discovered four oil fields about 60 miles west of Detroit. The company has leases on 1.1 million net acres in this general area of Michigan. An additional field was discovered in early 1972.

☐ Participated in three wells being drilled in the Mackenzie Delta in Canada's Northwest Territories. Two wells drilled in early 1971 were unsuccessful, and drilling of the third well began late in the year. Mobil has a 25% interest in 2.6 million acres of permits in the Delta.

Off the coast of Nigeria, production from four oil fields discovered on our 100% acreage reached 115,000 barrels daily by year-end, and a fifth field went on production early in 1972. We augmented our acreage position in Nigeria by signing an agreement that permits us to earn a half interest in three attractive leases by carrying out exploratory work. Located variously from 50 to 175 miles west and northwest of our 100% acreage, these leases comprise 568,000 acres, mostly on land. Mobil has begun seismic work preparatory to drilling on this new acreage.

In Venezuela, the company signed a service contract in September for exploration and development of Block "C" in South Lake Maracaibo. Under the agreement, we have contracted with the government for the right to explore for and produce oil, and we are entitled to an agreed percentage of any oil produced. We began a drilling program on Block "C" in early November. No productive sands were found in the first well, and drilling on a second well began in February, 1972.

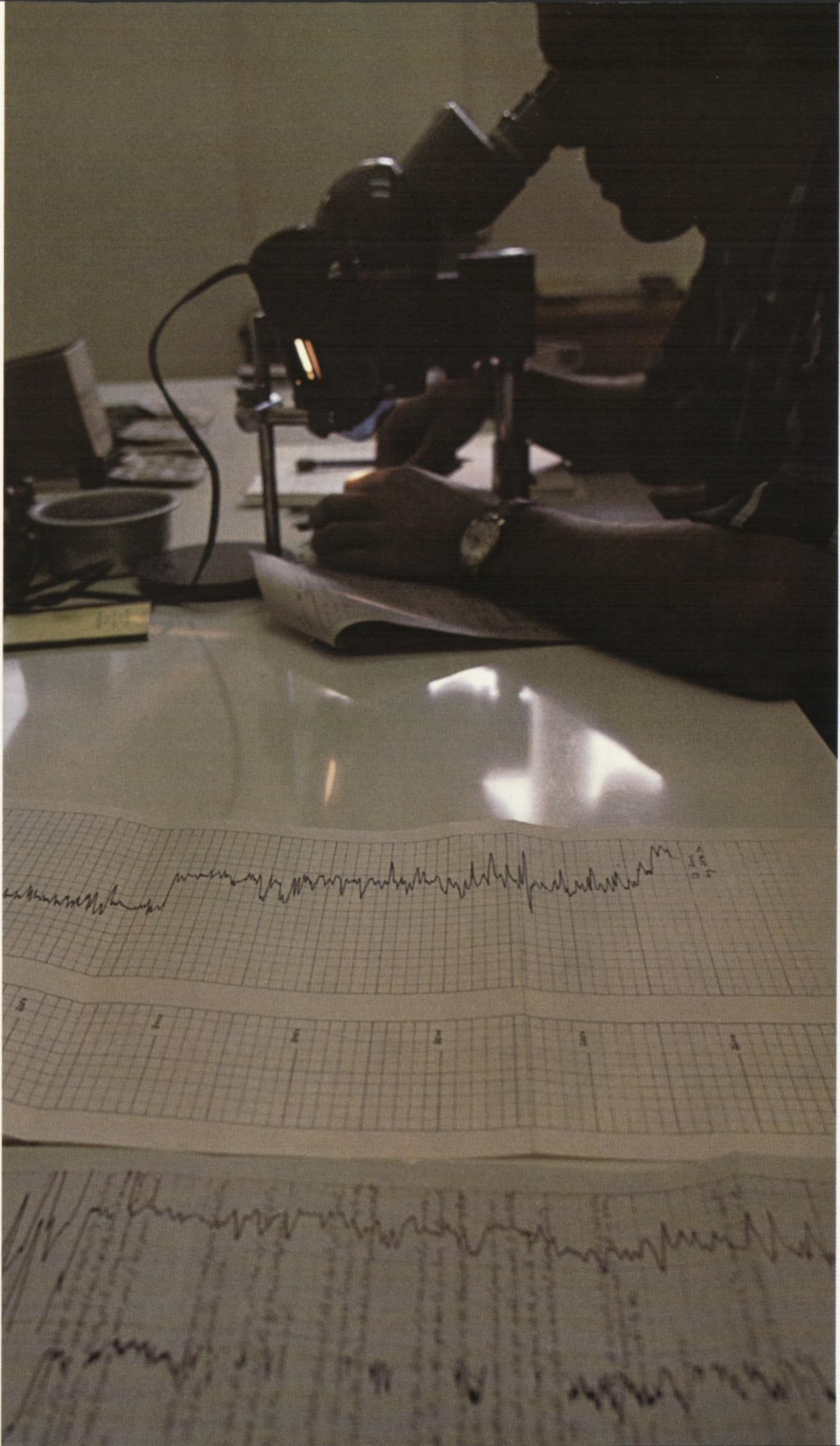
Production from previously acquired acreage farther north in Lake Maracaibo, which began late in 1970, reached 37,000 barrels daily in 1971. A further increase in production from this area is anticipated.

In eastern Venezuela, Mobil completed a successful well on half-interest acreage. Tests are being made to determine the well's producing capability.

In Indonesia, an exploratory well on the 100%-interest, 925,000-acre "B" Block in northern Sumatra tested 14 million cubic feet of gas and 525 barrels of condensate a day from a selected interval within a thick hydrocarbon-bearing zone below 9,500 feet. Additional drilling will be required to evaluate the significance of the discovery.

On our Indonesian acreage in the Strait of Malacca, five exploratory wells were drilled, all dry. After relinquishing 1.1 million acres, Mobil retains 6.5 million 100%-interest acres in Indonesian waters upon which exploration work continues.

In the Malaysian waters of the Strait of Malacca, Mobil was awarded two of four large



Indonesian geologist compares cuttings from a Mobil exploratory well in the Strait of Malacca with electronic logs (foreground) recorded during drilling operations.

Oil is where you find it, whether in the desert, the Arctic, or—in this case—in a Michigan cornfield. Mobil discovered four oil fields in Michigan in 1971, and a fifth in early 1972.

blocks adjacent to our Indonesian acreage. The two Malaysian blocks total 7.8 million acres. During the year, we conducted seismic surveys on this new 100%-interest acreage, and an exploratory well is planned for 1972.

In Iran, we entered into important agreements to explore two new areas. Under the first, announced in July, Mobil and the National Iranian Oil Company (NIOC) each has a 50% interest in nearly a million acres in the Strait of Hormoz at the eastern end of the Persian Gulf. Under the second agreement, announced in November, Mobil has a one-sixth interest in an area of about 2 million acres onshore in the Lurestan province of western Iran. Our associates are NIOC, which holds a half interest, and a group of Japanese companies, which holds the remaining one-third interest.

In the North Sea off the British coast, we bid successfully in an acreage sale in August for the highly prospective Block 9-13. Two other companies and the British Gas Council joined Mobil in bidding for this block, in which we have a 50% interest. We now have 590,000 net acres in the North Sea off the British coast. We have also made applications jointly with other companies for many new blocks in the North Sea off Scotland and off the English and Scottish west coasts on what we consider highly prospective acreage. These blocks are awarded not on a competitive-bid basis but on the basis of commitments to perform exploratory work over a six-year period, thereby obviating the need for advance cash payments.

In West Germany, where Mobil is a major producer of natural gas, we carried out extensive exploratory drilling on our holdings, which total more than 5.4 million net acres. Early in 1971, four wells—three in northern West Germany and one in Bavaria—discovered natural gas. Production continued to rise significantly.

Elsewhere overseas, Mobil:

☐ Found oil in a wildcat well in Libya. Because the well is near a Mobil-operated pipeline, we were able to place it on production quickly. The discovery well is capable of producing 6,000 barrels daily, but a limit of 2,000 barrels a day has been imposed by government regulations.

☐ Signed an exploration agreement with the Tunisian government covering approximately 10 million acres.

☐ Began an exploratory drilling program late in the year onshore in the Zaire Republic, on the west coast of Africa.

☐ Conducted seismic surveys off Panama, Honduras, and the Bahamas. The results of three unsuccessful exploratory wells in the Caribbean off Nicaragua are being analyzed to determine drilling plans there.

Gross Production of Crude Oil and Natural Gas Liquids by Areas
(thousands of barrels daily)

	1971	1970	1961
U.S. and Canada	574	565	302
Abu Dhabi	68	50	—
Indonesia	31	24	36
Iran	292	246	82
Iraq	203	185	118
Libya	120	165	—
Nigeria	73	54	—
Qatar	26	23	21
Saudi Arabia	454	360	139
Venezuela	129	114	113
West Germany	19	19	19
Other	21	22	31
Total	2,010	1,827	861
Total together with quantities received under long-term arrangements	2,294	2,083	1,005

Transportation

Our tanker fleet was further enlarged through construction of new vessels and modernization of older ones. Several terminals and pipelines in which we have interests, both in the United States and overseas, were expanded to meet increased refinery needs and market demands.

Two more giant tankers, the *Mobil Pride* and the *Mobil Progress,* joined the fleet under a construction program that is enabling us to transport increasing volumes of Middle East crude to Western Europe and Japan at reduced unit costs. This brings to four the number of company-owned giant tankers now in service, in addition to six others we have under long-term charter.

Five more tankers of over 200,000 deadweight tons each were ordered for delivery in 1973 and 1974.

In the United States, a 126,000-ton tanker will be delivered in 1972. The ship, built to carry crude from Alaska to our West Coast refineries, will be used initially in foreign trade. When delivered, it will be the largest vessel, in terms of deadweight tonnage, ever built in the United States.

Our product-carrying fleet also is being expanded. One 26,500-ton tanker, built in Italy, was delivered in 1971, and three similar Italian-built vessels will enter service in 1972. A 24,000-ton vessel built in Australia will be delivered in early 1972 for use in that country's coastal trade. We also contracted for construction of three 26,500-ton vessels in Finland, and two 32,000-tonners in Norway.

The vessels built in Italy and Finland are scheduled to carry refined products, but are

A Mobil product tanker, the 26,500-ton *Conastoga,* is launched at Castellamare, Italy. Construction of product carriers and giant crude-carrying tankers is being expanded substantially to meet growing demand for oil.

designed to be capable of carrying crude oil in the center tanks, thus enabling the vessels to return from certain voyages loaded instead of in ballast. This operating flexibility is achieved through special tank design and the use of a Mobil epoxy coating on all piping and interior tank surfaces, so that crews can quickly remove all traces of fuel or crude oil in preparation for new cargoes.

Continuing a program of modernizing older vessels, we signed contracts for two 100,000-ton crude carriers, the *Mobil Astral* and the *Mobil Daylight,* to be enlarged to 147,000 tons each—the largest tanker "jumboizing" job ever to be undertaken. In addition, a product carrier, the *Australian Progress,* will be enlarged to 22,800 tons. The *Mobil Energy,* converted from a 54,000-ton vessel into a 70,000-ton combination carrier capable of transporting either crude oil or coal, rejoined the fleet.

At year end, the tanker fleet totaled 8.1 million tons. This included 33 owned vessels totaling 2.5 million tons, and 96 tankers under charter totaling 5.6 million tons.

CRISTAL, a voluntary fund providing insurance compensation for oil-spill damage, went into operation in 1971. The fund, known in full as Contract Regarding an Interim Supplement to Tanker Liability for Oil Pollution, was established by oil-cargo owners, including Mobil. It increases to $30 million per incident the maximum compensation available to those affected by an oil spill. The amount would include the $10 million per incident now available under TOVALOP (Tanker Owners Voluntary Agreement Concerning Liability for Oil Pollution), which is supported by privately owned tanker companies.

Companies participating in CRISTAL account for over 80% of the crude and fuel oil transported in ocean trade; owners of 96% of the world's privately owned tanker tonnage participate in TOVALOP. Both funds, having passed the 80% membership target set for 1971, will continue in force at least until 1974.

In Nigeria, a Mobil terminal capable of accommodating 250,000-ton vessels went into operation. The new terminal replaces the temporary loading facility used since 1970.

In Saudi Arabia, the Arabian American Oil Company (Mobil 10%) will build a new port capable of loading the largest crude carriers now being constructed. The port, expected to start operation in late 1974, will eventually more than double Aramco's export capability.

A major expansion of the South European Pipeline (Mobil 5%), which will double its capacity to 1,400,000 barrels a day, is scheduled for completion by the end of 1972. The line runs from the French Mediterranean coast to refineries in the Upper Rhine area, including our Woerth refinery in Germany.

The Transalpine Pipeline (Mobil 11%) is being expanded to a capacity of 800,000 barrels a day from a previous capacity of 500,000 barrels a day. This 40-inch line moves crude oil from Trieste to southern Germany and also feeds the Adria-Wien pipeline (Mobil 12.5%) in Austria. The Adria-Wien system, which went into operation in 1970, is already being expanded to 150,000 barrels from its current capacity of 110,000 barrels a day.

In Australia, construction of the Westernport-Altona-Geelong Pipeline (Mobil 31%) is under way. The 84-mile line will supply 150,000 barrels a day of crude oil from the Bass Strait to refineries in the Melbourne area.

In Japan, Mobil acquired a 13% share in the newly established Kanto Pipeline Company, which plans to build Japan's first major products pipeline system. The line, which grew out of studies by the Japan Petroleum Pipeline Company, will carry products from Tokyo Bay refineries to markets north of Tokyo.

Mobil Pipe Line Company, our U.S. common carrier affiliate, completed expansion of its 220-mile natural gas liquids pipeline system from West Texas to the Beaumont refinery area. The expansion increased the line's delivery capacity from 42,000 to 69,000 barrels a day.

Mobil Pipe Line Company is also constructing 21 miles of 30-inch crude trunk line between Mokena, Ill., where several crude-carrying pipelines meet, and our new Joliet refinery.

Plans were made to expand the Wolverine Pipe Line (Mobil 21%) to carry petroleum products from Joliet to our terminals in Michigan at Niles, Muskegon, and Woodhaven.

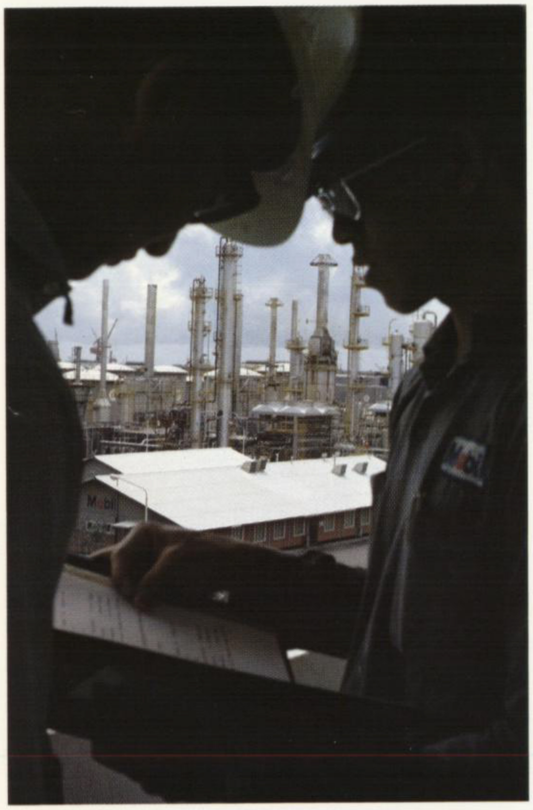
Construction of the 800-mile Trans Alaska Pipeline System (Mobil 8.68%) continued to be delayed by lawsuits aimed at preventing government approvals. The 48-inch line, to be built and operated by Alyeska Pipeline Service Company as agent for the owners, will carry North Slope crude to Valdez, on Alaska's southern coast. Planned initial capacity is 600,000 barrels a day, to be increased ultimately to 2,000,000 barrels a day by the addition of more pump stations.

The Colonial Pipeline system (Mobil 11.5%), which transports products from the Gulf Coast to the Southeast and to the East Coast, was expanded by construction of a 36-inch line parallel to the existing line between Baton Rouge, La., and Atlanta, Ga., and pump-station expansions between Greensboro, N.C., and Linden, N.J. The system's 1,150,000-barrel-a-day capacity was increased by 310,000 barrels a day west of Atlanta, and 180,000 barrels a day north of Greensboro.

A major system expansion of the Olympic Pipe Line (Mobil 29.5%) from 131,000 to 177,000 barrels a day was completed in late 1971. The line carries product from our Ferndale, Wash., refinery to terminals at Renton and Tacoma, Wash., and Portland, Ore.

Barges carrying Mobil products from Beaumont refinery up the Mississippi en route to Chicago pass the Gateway Arch in St. Louis. Barges are pushed by a towboat, the *Mobil Leader.* Left, the *Leader's* captain keeps in touch by phone with Mobil's control office in St. Louis and with terminals along the vessel's route.

Refining



Mobil engineer and a construction company engineer study plans for a five-fold expansion of the Jurong, Singapore, refinery. After expansion, this facility will be one of the largest in the worldwide Mobil system.

We continued a refinery expansion program that will add significantly to worldwide capacity. Construction of the 160,000-barrel-a-day refinery near Joliet, Ill., will be complete in late 1972. Overseas, we are expanding capacity at a rate that will soon exceed 150,000 daily-barrels each year.

New facilities were added at four refineries in the United States:

☐ Fractionation facilities were installed at Beaumont, Tex., to improve the recovery of natural gas liquids and expand the scope of the company's natural gas liquids business.

☐ The coking unit at the Torrance, Calif., refinery was expanded to convert additional residual material into higher-value products—principally gasoline.

☐ Additional facilities to produce high-octane gasolines are being installed at Beaumont and at Augusta, Kan., and Ferndale, Wash.

Expansion and improvement of air and water conservation facilities continue. At Torrance, impounding basins have been built to hold and treat rain drainage from the refinery before it flows into the local flood-control system. A large-scale system for waste-water treatment, to further ensure clean effluent, is being installed at Beaumont.

In Europe, the capacity of the Amsterdam refinery has been expanded to 125,000 barrels a day from an original 80,000 barrels a day in 1968.

At Neustadt, Germany, capacity of a refinery in which Mobil has a half interest is being expanded from 70,000 to 120,000 barrels daily. Also in Germany, asphalt production at the Woerth refinery will begin in 1973. Planned output is 300,000 tons a year.

Further expansion was undertaken to bring the capacity of the Frontignan refinery to 120,000 barrels a day. The capacity of this plant in southern France had been doubled to 80,000 barrels a day in 1970.

Capacity of the Coryton, England, refinery also is being expanded by 40,000 barrels a day to 175,000 barrels a day.

In the Far East, Mobil is expanding its Jurong, Singapore, refinery from 27,600 barrels a day to 175,000 barrels a day by early 1973. The expansion will enable us to supply growing markets for oil products in that part of the world as well as in Japan, where demand for fuel oil and naphtha is increasing rapidly.

In Europe, we made progress on two underground storage projects which are part of the European Economic Community's oil-storage program. The projects represent substantial savings over the cost of above-ground tanks.

☐ In France, Mobil acquired an 8% share in a project to store oil in a worked-out iron mine near Caen. We will keep about 2,500,000 barrels of products in the mine.

☐ In Germany, work was begun on a third underground reservoir at Lesum, near our Bremen refinery. Work is continuing on two reservoirs begun in 1968, and a total of nine reservoirs with a combined capacity of more than 9,000,000 barrels is planned.

Worldwide refinery runs of crude oil and natural gas liquids increased 77,000 barrels a day to a new record of 2,081,000 barrels a day. In the United States, daily refinery runs averaged 813,000 barrels, down slightly from 1970.

Outside the United States, refinery runs averaged 1,268,000 barrels a day, up 6.9%. These figures include runs in both wholly and partly owned refineries and under processing agreements in facilities owned by others.

Joliet refinery, which will have a 160,000-barrel-a-day capacity, will be completed in late 1972. The new refinery will supply products to marketing areas in the North Central states.

Marketing

In marketing, 1971 was another year of sustained achievement for Mobil, which sells products in more than 100 countries in the Free World. During the year, we:

☐ Sold record volumes of products.

☐ Introduced a new low-lead detergent gasoline and a new line of radial tires in the United States.

☐ Continued to expand travel and credit-card services.

We sold 2,248,000 barrels a day of petroleum products worldwide, 4.8% above 1970. U.S. volume increased 2.0%, while overseas product sales rose 6.9% over 1970.

Product prices overseas showed improvement during most of the year, with some weakness in Europe toward year end. In the United States, gasoline prices averaged about the same as in 1970. Fuel oil prices remained firm throughout the year.

Worldwide gasoline sales again reached record highs. We continued our program of building new Pegasus-design stations, modernizing older stations, and phasing out marginal locations.

Operations of some of the 48,000 Mobil service stations around the world are being broadened into new merchandising areas to enhance sales volumes. By the end of 1971, more than 1,200 stations in 20 countries, including the United States, were fully or partially self-serve. A growing number have automatic car washes and offer a large variety of convenience items, ranging from groceries and cosmetics to garden supplies and periodicals.

Mobil Special, our new third-grade low-lead gasoline, was introduced in 68 major U.S. markets. Plans call for offering this motor fuel in additional U.S. markets during the next two years as public demand develops. Identified by a green sign, Mobil Special meets the requirements of most older cars, as well as those of 1971 and 1972 models.

Our tire line was broadened with the introduction of a new 50,000-mile-guarantee radial tire. The new tire is a "second generation" radial with improved shape and construction. Also introduced at service stations was a premium battery, carrying a five-year guarantee, that helps start cars more quickly, and an ashless snowmobile oil for two-cycle engines.

We extended our leadership in service and product performance to transportation industries throughout the world. We marketed marine products at 500 ports, aviation fuels and lubricants to more than 60 airlines at 750 airports, and petroleum products for the trucking industry in more than 100 foreign markets.

New products for heavy industry include two soluble oils for pre-coating and cold-rolling steel; a broad line of greases and hydraulic and gear oils for equipment used in heavy construction and mining; and a new oil for aluminum can-making that extends tool life and reduces oil consumption.

In the home-heating-equipment field, Mobil is continuing to test new boilers, furnaces, and other devices that reduce cost and ease maintenance. In the past two years, we have introduced, both in the United States and overseas, new water-heater equipment that gives homeowners a virtually unlimited supply of hot water at low cost.

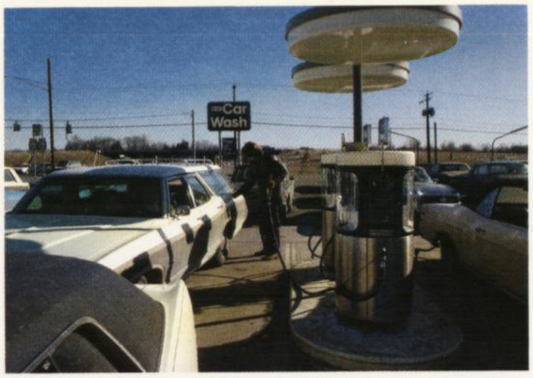
In corn-producing states in the Midwest, marketers already selling a full line of petroleum products are now offering farmers "Mocap," a non-persistent, degradable pesticide. "Mocap," developed by Mobil Chemical, is particularly effective against corn rootworms.

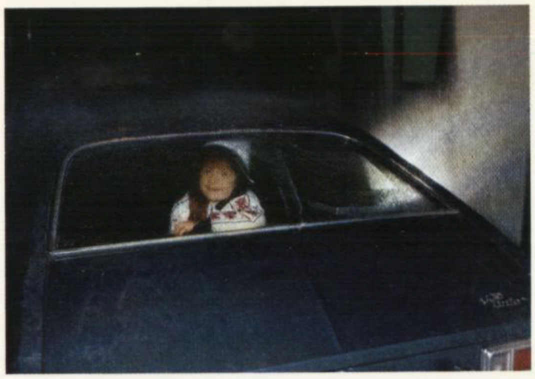
In 1971, some 50,000 U.S. travelers, double the previous year's total, used the computerized room-reservation service launched in 1970 by National Data Corporation and promoted by Mobil. The service covers many of the hotels and motels listed in the *Mobil Travel Guide.*

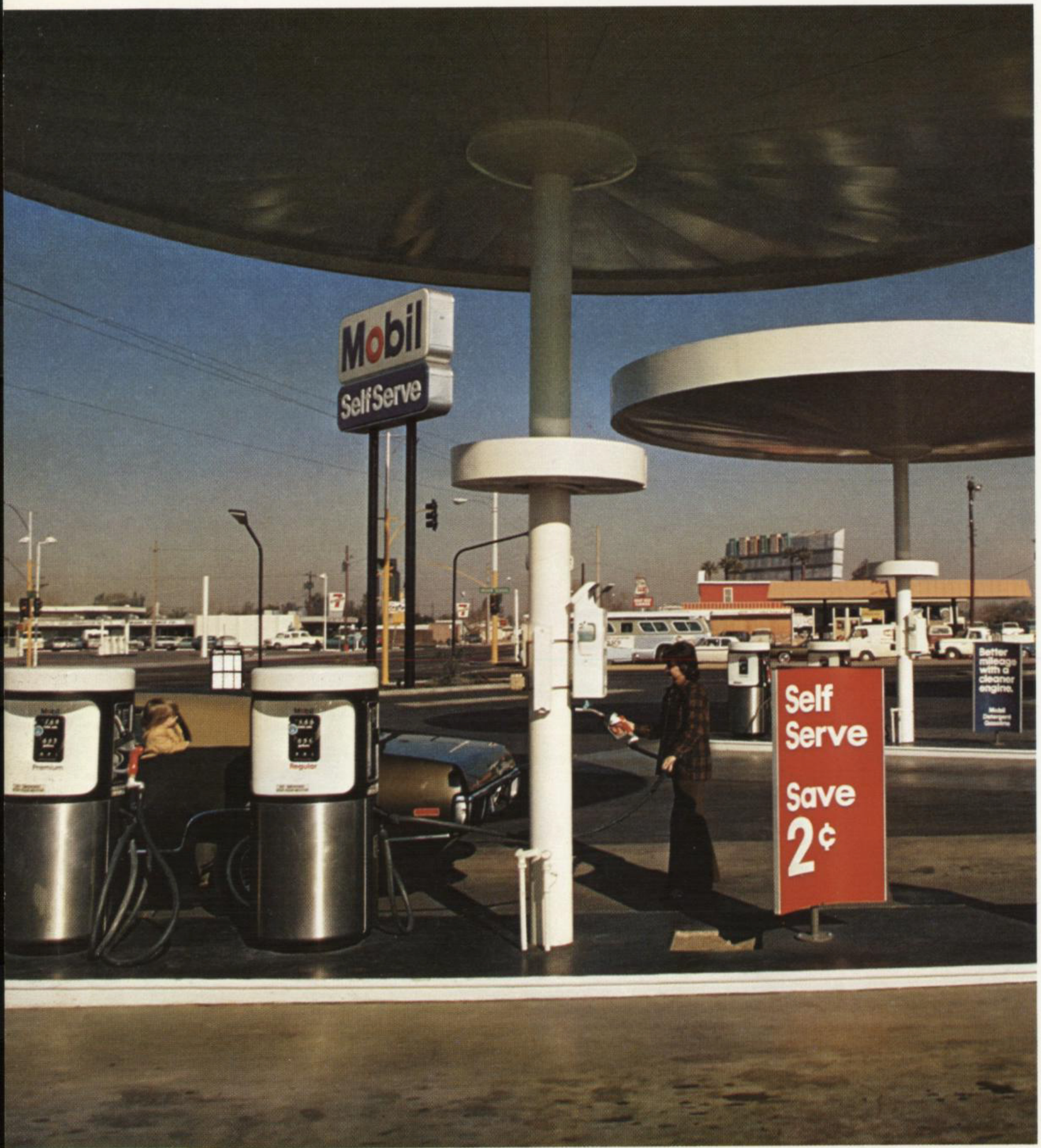
New computer and other electronic equipment at the Kansas City and Los Angeles credit-card billing centers has improved customer service. Credit-card sales collection was significantly improved. We are now issuing specially embossed cards, incorporating new security features, to all our credit-card customers. These cards have expiration dates and alter-proof signature panels.

Mobil marketer (top right) tells Midwest farmer about "Mocap," a pesticide developed by Mobil Chemical. Our marketers are now selling "Mocap," along with petroleum products, in the corn-producing Midwestern states.
Right, a "superfueler" at Hamburg, Germany, airport can deliver 21,000 gallons of aviation fuel to jet planes at over 1,000 gallons a minute.

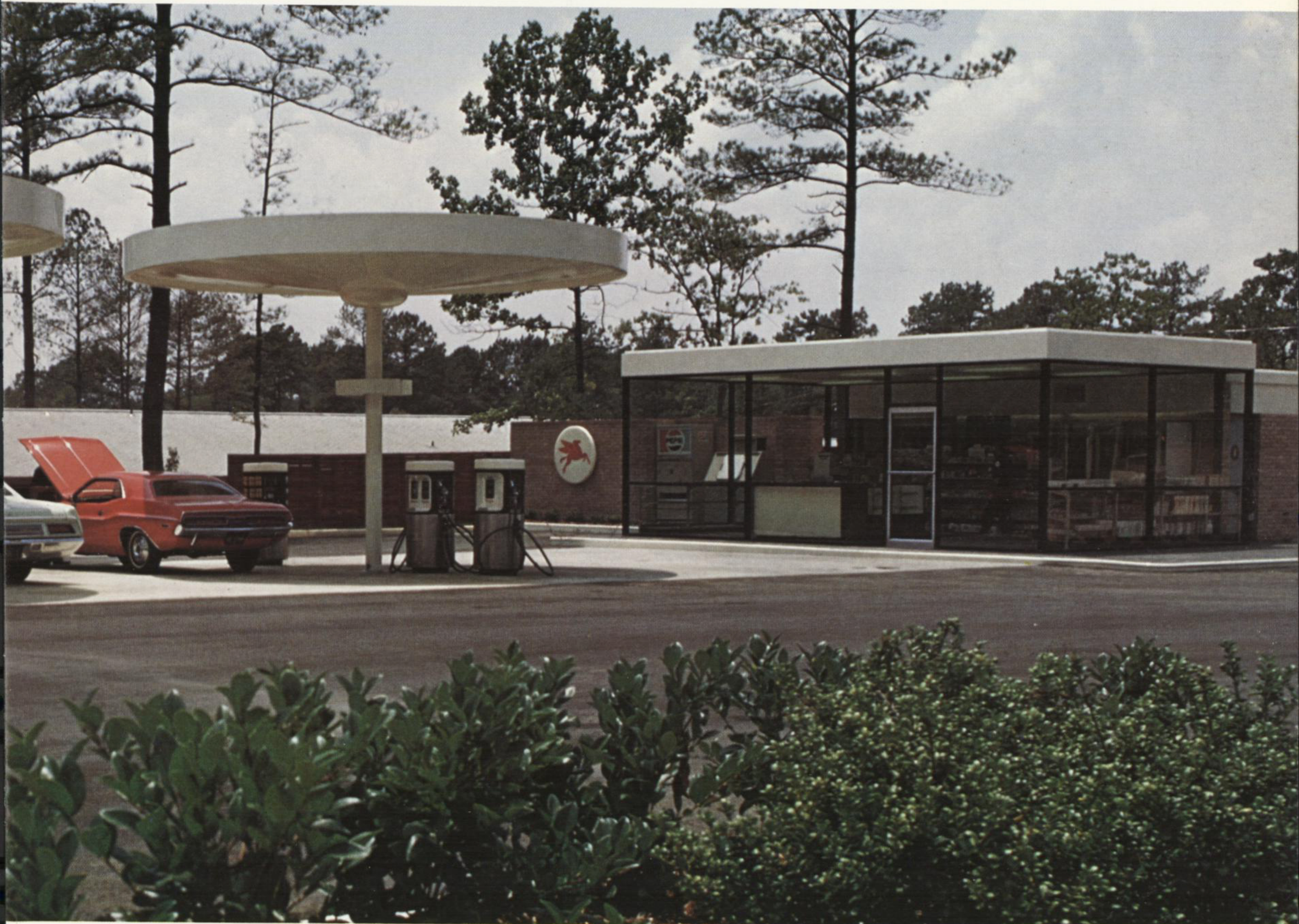
Mobil


Car Wash




Mobil
Self Serve
Premium
Regular
Self Serve
Save 2¢
Better mileage with a cleaner engine.
Mobil Detergent Gasoline

Service stations in some areas now sell a wide variety of non-petroleum products, and self-serve stations are gaining popularity. Below, a new station sells groceries, "Hefty" bags, and other convenience items. Car washes (top left) with equipment that can add a hot-wax finish are a frequent feature of the new stations. Below left, a typical new self-serve station.



Chemical

In our chemical business, 1971 was a year of new products, new facilities, and new international markets. A line of plastic tableware and a family of specialized coatings were introduced, with encouraging results. New plants were built or acquired in three Mobil Chemical divisions, and we extended our fast-growing plastic-packaging business to Canada and the European Common Market.

Overall, good sales gains were achieved during the year, with substantial increases in plastic packaging and in certain coatings fields. Continued industry-wide oversupply and depressed prices adversely affected our petrochemicals business. Aggressive cost-reduction programs throughout Mobil Chemical contributed significantly to its performance.

Construction began on a large plastic-packaging plant near Washington, N.J., to manufacture "Hefty" bags for the consumer market. The new facility is scheduled to be completed in mid-1972, but a number of lines are already in operation.

In the international area, we established a company in Canada and began operations in August at a plant in Belleville, Ont., the first Mobil plastic-packaging facility outside the United States. In December, we acquired a group of three Italian firms, which produce plastic waste bags, shopping bags, and similar products. The group is the largest producer of polyethylene film products in Italy, marketing them throughout that country as well as in Germany and The Netherlands.

In the United States, we introduced a new line of disposable tableware for schools, hospitals, and convenience restaurants. Called "Mobilware," it is a laminate of clear and foamed polystyrene that combines the convenience, economy, and sanitary benefits of disposables with the appearance of permanent ware.

To meet growing demand, we substantially increased production capacity for "Bicor," a polypropylene film that competes in the packaging market now dominated by cellophane.

Chemical coatings activities showed significant improvement, with particularly good gains in Belgium and The Netherlands.

In the United States, we withdrew from the automotive refinishes business and closed a plant in Cleveland because the field did not offer us sufficient economic incentive.

A new line of wood finishes, called "Durabild-UV," was introduced and is gaining rapid acceptance among commercial customers. The new finishes, cured by ultraviolet light, lower the cost of coating furniture and wood paneling by reducing solvent usage and shortening curing time.

A new phosphate mine and washer plant in Nichols, Fla., began operations. The new facilities have been constructed to make full use of existing rock-processing capabilities and to meet sales commitments. Designed to conserve natural resources, the mine and washer plant include an extensive water-recycling system.

Substantial savings have been achieved in industrial chemicals operations since the closing, late in 1970, of two economically marginal phosphorus furnaces.

Sales of "Folex," a selective cotton defoliant that permits the use of efficient mechanical pickers, rose substantially.

In December, we purchased a small industrial chemicals plant in Carteret, N.J. The plant, well situated as a distribution point for northeastern markets, is producing phosphoric acid, for use mainly in metal-treating, and trisodium phosphate, an industrial cleaner.

Mobil Chemical's research and development efforts focus on materials as diverse as pesticides and flame retardants, but all have a common goal: to find profitable new products in lines of business where we are already successful. Among the promising new projects under way in our laboratories are:

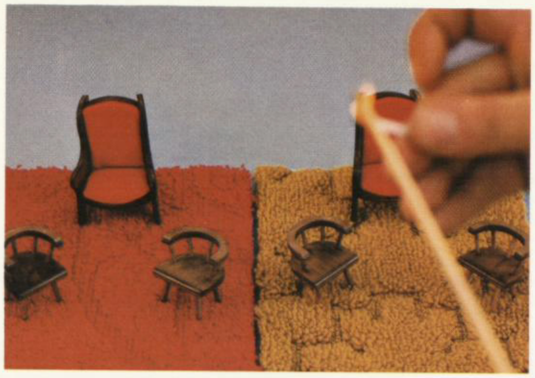
☐ Plastic shrink films for consumer packaging, and new products with characteristics superior to more conventional packaging materials.

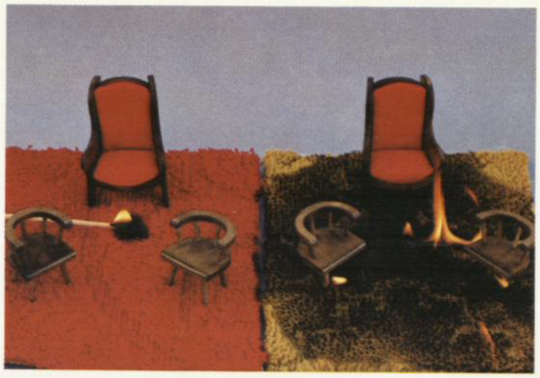
☐ Improved lubricant additives for use in Mobil products worldwide, as well as for sale to other lubricant manufacturers.

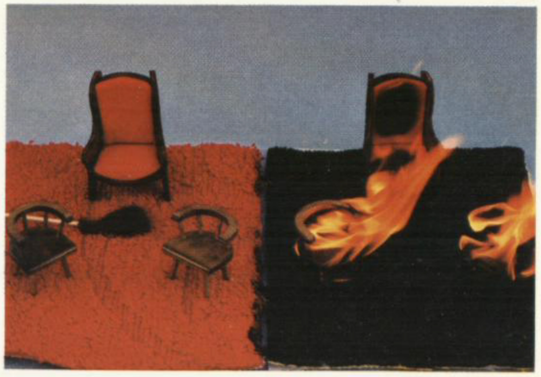
☐ A new line of acrylic coatings, which permit more rapid manufacture of coated metal in coil form for such uses as building siding.

☐ A new coatings system, in which dry paint particles are applied without the use of solvents. Called powder coating, the new system appears to have broad potential in the automotive and metal-coating fields.

Effectiveness of a Mobil Chemical flame retardant for rayon carpeting is demonstrated (top right). The treated carpet resists burning, while the untreated carpet quickly catches fire. Right, Mobil's new line in wood finishes is displayed in our showroom at High Point, N.C., a leading furniture manufacturing center.







Mobil

Research

Development of improved refining catalysts, higher-quality fuels and lubricants, and more efficient oil exploration and production methods continued to be major goals of our research effort. Through cooperative research with other companies, considerable attention was also given to the problem of automotive exhaust pollution.

In catalysis, a field in which Mobil has long been a leader, we are making two main efforts. We are looking for ways to convert crude oil into gasoline more efficiently, to offset the greater demand for gasoline—and consequent drain on crude reserves—which will result from increasing use of advanced emission-control devices on automobiles. We are also seeking ways to compensate for the lower octane levels resulting from the removal or reduction of lead in gasoline required by the new devices.

We continued to participate in the Inter-Industry Emission Control program, a joint research effort initiated by Mobil and the Ford Motor Company in 1967, and now extended through 1972. IIEC, which currently involves 13 oil and automobile companies, is testing concept systems in an effort to meet new federal requirements for hydrocarbon, carbon monoxide, and nitrogen oxide control.

While considerable progress has been made on hydrocarbon and carbon monoxide reduction, the new systems still have functional and durability problems, and fall short of acceptable performance standards. Even greater difficulties are being encountered in controlling nitrogen oxides.

A number of new and improved products moved from laboratory to market in 1971, including specialized oils for the steel and aluminum industries and a broad line of industrial lubricants. In the automotive field, the Mobiloil line of lubricants was upgraded to meet the latest car requirements, and new greases were formulated for use in the hotter wheel bearings of cars equipped with disc brakes. New lubricants developed for both industrial and automotive markets include more efficient additives, the effect of which is to help hold the line on consumer costs.

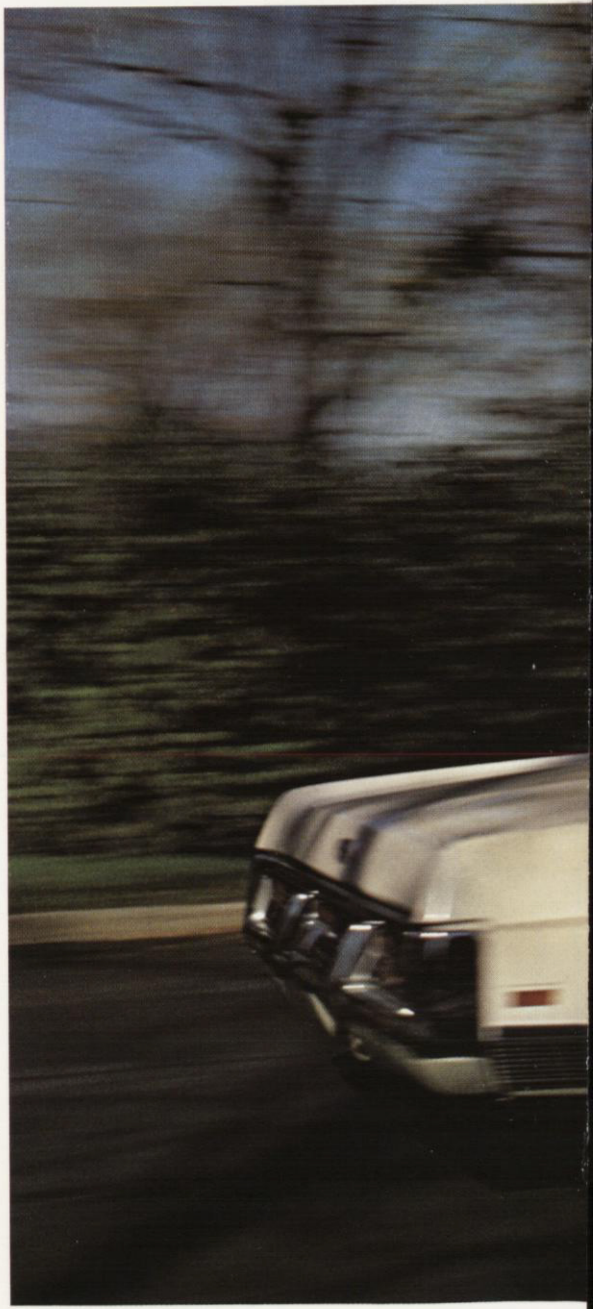
One sidelight of Mobil's continued search for new lubricants was the development in 1971 of a substitute for sperm oil—one of the few "natural" components of lubricants until now never fully replaced by petroleum.

Progress was made in several areas to improve the efficiency of petroleum exploration and production:

☐ Underwater testing of a system developed jointly by Mobil and North American Rockwell for the production of oil and gas on the ocean floor will be conducted soon by Subsea Equipment Associates Ltd. (SEAL), a company in which Mobil has a 20% interest. Since the equipment used rests on the ocean floor, it is relatively immune to the weather, and the risk of oil spillage and fire is minimized. We expect this system, located in water 600 or more feet deep, will be less costly than the mounting of production equipment on surface platforms.

☐ In central Alaska, a Mobil expedition mapped a 1,200-mile section of the Yukon River by riverboat with helicopter and aircraft support. Research scientists on this expedition conducted field tests of techniques, developed in Mobil laboratories, to measure electrical properties of the earth in estimating the thickness of sedimentary formations.

☐ As part of a continued effort to improve our ability to forecast where hydrocarbons may be found, Mobil scientists developed improved techniques for determining the age of fossils buried deep in the earth. By use of these techniques, estimates of the age of sedimentary rocks many millions of years old can be narrowed down to intervals as short as 150,000 to 200,000 years.



Automobile incorporating anti-pollution equipment developed by the Inter-Industry Emission Control program is road-tested in Detroit. Left, IIEC-related research is conducted in a Naples, Italy, laboratory.

Performance of a catalyst designed to increase gasoline octane levels is studied by research team at Mobil's Princeton, N.J., laboratories. Anticipated federal requirements for reduction of lead content of gasoline have made research to increase octanes a high Mobil priority.

Mobil product spectrum

Mobil offers more than 5,000 petroleum and chemical products to a wide range of customers around the world. This chart lists some of the major product categories. These products are sold under the Mobil trademark.

Products	**Petroleum**			**Chemical**		
Markets Served	**Fuels**	**Lubricants**	**Custom Products**	**Coatings**	**Plastics**	**Other Chemicals**
Automobile	Premium Gasolines Regular Gasolines Special Low-Lead Gasoline	Automatic Transmission Fluids Engine Oils Gear Lubricants Greases	Antifreeze Permanent Type Batteries Car Care Products Engine Oil Additives Gasoline Additives Heavy Duty Brake Fluid Tires	Automotive Finishes Primers Thinners		Aluminum Brighteners Ignition Aids: Corrosion Inhibitors and other special additives for Fuels and Lubricants
Aviation & Aerospace	Aviation Gasolines Airline Jet Fuels Military Jet Fuels	Aviation Greases Jet Engine Oils Piston Engine Oils	Assembly Fluid Corrosion Preventives De-Icing Fluids Hydraulic Fluids	Primers and Top Coatings Thinners		Inhibitors, Additives and Synthetic Fluids for Jet Fuels and Extreme Condition Lubricants
Farm	Heating Oils Kerosine LP Gas Truck and Tractor Fuels	Automatic Transmission Fluids Engine Oils Gear Lubricants Greases Hydrostatic Transmission Fluids	Oils for Fungicides Herbicides Insecticides Tractor Tires	Epoxy Silo Compounds Exterior Paints Heavy Duty Metal Paint Interior Paints Special Dairy Paints	Plastic Sheeting for Cold Frames Cover Sheets Windows	Crop Chemicals including: Cotton Crop Defoliants Growth Regulators Herbicides Insecticides Nematocides Protective Coating for Tobacco Transplants
Home	Heating Oils Kerosine LP Gas		Mobil Process products are incorporated in practically all household furnishings (carpets, textiles, floor tile, shingles, garden hose, etc.)		Hefty Brand Food Storage Bags Indoor & Outdoor Waste Bags Kordite Brand Freezer Bags Indoor & Outdoor Waste Bags Plastic Clotheslines Rigid Plastic Containers	Cola Ingredient Detergent Builders
Marine	Marine Diesel Oils Marine Fuel Oils Marine Gas Oil Marine Gasolines	Auxiliary Lubricants Cylinder Oils Gear Oils Greases Hydraulic Fluids Mobilgard Diesel Oils Turbine Oils	Batteries Rust Preventives Tank and Deck Coatings	A complete line of Marine Coatings Systems Paints and Varnishes		Heavy Duty Cleansers
Truck and Bus	Diesel Fuels Gasolines Gas Turbine Fuel LP Gas	Automatic Transmission Fluids Engine Oils Gear Lubricants Greases Torque Converter Fluids	Antifreeze Permanent Type Batteries Corrosion Inhibitors Heavy Duty Brake Fluid Rust Preventives Truck and Bus Tires	Primers Thinners Truck Top Coat		Heavy Duty Cleansers Special Additives for Fuels and Lubes
Railroad	Diesel Fuels Kerosine	Car Journal Oils Compressor Oils Greases Mobilgard Diesel Oils	Curve Grease Electrical Parts Cleaner	A complete line of Heavy Duty Paint and Protective Coatings Systems for every railroad requirement		Heavy Duty Cleansers
Industry Construction Electric Power Equipment Builders Gas Transmission Manufacturing Metal Processing Mining Paper Particle Board Rubber Water Treatment	Heating and Power Fuels, including Distillate Fuels Gas Turbine Fuels LP Gases Natural Gas Petroleum Coke Residual Fuels	Air Mist Oils Air Tool Oils Circulating Oils Compressor Oils Cylinder Oils Dripless Oils Fire Resistant Oils Gas Engine Oils General Purpose Oils Heavy Duty & E.P. Gear Oils Hydraulic Fluids Multipurpose Greases Refrigeration Oils Spindle Oils Synthesized Hydro-Carbon Oils and Greases Turbine Oils Way Lubricants	Asphalt for Highway and Industrial Applications Cutting Oils Defoamants Desiccants Heat Transfer Oils Hot Melt Coatings and Adhesives Hydrocarbon Solvents Laminants Leather Compounds Metal Rolling Fluids Petroleum Coke Quenching and Tempering Oils Rubber Extender Oils Rubber and Resin Plasticizing Oils Rust Preventives Sizing Agents Textile Oils Transformer Oils Wax Coatings Wax Emulsions	Appliance Coatings Caulking Corrosion Resistant Coatings Electro-coatings Embossing and Engraving Cylinders Furniture Finishes Heat Resisting Coatings Maintenance Paints Packaging Coatings Paper and Foil Coatings Prefinished Wood Finishes Primers Sign Paints Thinners Ultraviolet Coatings	Polyethylene Bags for Bread Laundry & Dry Cleaning Meat, Poultry & Produce Refuse Polyethylene Films for: Construction Protective Covers Polypropylene Films for: Laminated Packaging Materials Snack Food Packaging Tobacco Overwrap Polystyrene Foam for: Disposable Dinnerware Egg Cartons Meat & Produce Trays	Catalysts Cracking Specialty Intermediate Full Range of Petrochemicals including: Benzene/Butadiene Ethylene/Propylene Toluene/Xylene Heavy Duty Cleansers Phosphate Rock Diammonium Phosphate Triple Superphosphate Phosphoric Acid Phosphorus—Based Flame Retardants Intermediates Phosphates Phosphites Phosphonates Phosphoric Acid Sulfur Terephthalic Acid

Financial and operating data*

Mobil Oil Corporation

	1971	1970	1969	1968	1967	1966
Financial (in thousands of dollars except per-share data)						
Revenues	$9,392,512	$8,310,319	$7,572,658	$7,092,705	$6,473,084	$5,886,515
Net income	540,795	482,707	456,498†	430,708	385,393	356,112
Per share *(based on average shares outstanding)*	5.33	4.77	4.50†	4.26	3.80	3.51
Cash dividends	258,798	243,090	228,197	207,465	187,423	167,346
Per share	2.55	2.40	2.25	2.05	1.85	1.65
Capital and exploration outlays	1,037,576	879,475	800,034	713,171	678,524	682,214
Current assets	3,197,529	3,203,730	2,789,869	2,829,221	2,399,024	2,084,271
Current liabilities	2,203,431	2,024,980	1,730,459	1,686,107	1,503,071	1,257,464
Working capital	994,098	1,178,750	1,059,410	1,143,114	895,953	826,807
Net properties, plants, and equipment	4,425,202	3,949,991	3,633,956	3,389,093	3,196,739	2,974,797
Long-term debt	1,134,267	974,973	738,267	748,447	527,723	421,917
Shareholders' equity	4,831,933	4,540,103	4,309,070	4,094,452	3,848,859	3,660,984
Per share *(based on shares outstanding at end of year)*	47.59	44.81	42.45	40.44	38.05	36.12

†Excludes an extraordinary write-off in 1969 of $22.0 million (net of applicable income tax reduction), or 22 cents per share, related to the corporation's withdrawal from the retail fertilizer business in the United States.

Shareholders and Employees (end of year)	1971	1970	1969	1968	1967	1966
Number of shareholders	223,000	222,800	219,700	218,600	213,500	210,300
Number of shares outstanding	101,543,000	101,313,000	101,498,000	101,258,000	101,157,000	101,358,000
Number of employees	75,300	75,600	76,000	78,300	79,800	80,900

Operating (barrels daily, except natural gas)	1971	1970	1969	1968	1967	1966
Gross production—crude and gas liquids	2,010,000	1,827,000	1,648,000	1,589,000	1,459,000	1,368,000
U.S. and Canada	574,000	565,000	527,000	521,000	475,000	413,000
All other countries	1,436,000	1,262,000	1,121,000	1,068,000	984,000	955,000
Gross production—crude and gas liquids *(together with quantities received under long-term arrangements)*	2,294,000	2,083,000	1,960,000	1,835,000	1,663,000	1,527,000
Natural gas production *(thousands of cubic feet daily)*	3,545,000	3,379,000	3,063,000	2,731,000	2,382,000	2,181,000
Refinery runs—crude and gas liquids	2,081,000	2,004,000	1,907,000	1,828,000	1,677,000	1,581,000
United States	813,000	818,000	829,000	824,000	752,000	737,000
All other countries	1,268,000	1,186,000	1,078,000	1,004,000	925,000	844,000
Petroleum product sales	2,248,000	2,145,000	2,003,000	1,874,000	1,721,000	1,579,000
U.S. and Canada	956,000	935,000	913,000	883,000	818,000	771,000
All other countries	1,292,000	1,210,000	1,090,000	991,000	903,000	808,000

Operating statistics include the corporation's interest in the operations of companies owned 50% or less.

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*Detailed data on the corporation, and a statement of its major accounting policies, are contained in a separate report, Financial and Operating Statistics 1971. For copies, write the Secretary, Room 2500, Mobil Oil Corporation, 150 East 42nd Street, New York, N.Y. 10017.

Financial review

Earnings and Dividends

Mobil's consolidated net income in 1971 reached a record of $540.8 million, or $5.33 per share, an increase of 12.0% over the previous high of $482.7 million, or $4.77 per share, earned in 1970.

Shareholders received record cash dividends in 1971 of $258.8 million, an increase of $15.7 million over 1970. On a per-share basis, dividend payments rose from $2.40 in 1970 to $2.55 in 1971. The 1971 dividend represents payments of 60 cents per share in the first quarter and 65 cents per share in each of the remaining quarters.

Principles of Consolidation

Accounts of all domestic and foreign subsidiaries more than 50%-owned are included in the consolidated financial statements. Monetary items recorded in foreign currencies are expressed in U.S. dollars at current rates of exchange; for non-monetary items such as fixed assets and inventories, historical rates of exchange are used for translation to U.S. dollars. Generally, profits or losses arising from such translations are included in the income accounts.

Because Mobil has substantial long-term borrowings in currencies which increased in value in relation to the U.S. dollar as a result of the realignment of the world's major currencies in 1971, the translation of monetary assets and liabilities resulted in a net charge. This net charge is considered to be a part of the cost of the long-term borrowings and, as such, is being amortized over the remaining life of these borrowings. A minor portion of the net charge was reflected in 1971 earnings and $11 million was deferred at December 31, 1971.

Shareholders' Equity

Shareholders' equity rose from $44.81 per share in 1970 to $47.59 in 1971, an increase of $2.78 per share. The rate of return on average shareholders' equity was 11.5%, compared with 10.9% in 1970.

Geographical Distribution

A geographical distribution of net income and shareholders' equity is shown in the table below:

	1971		1970	
	Total (In millions)	Per Share	Total (In millions)	Per Share
Net income (year ended Dec. 31)				
United States	$ 235	$ 2.32	$ 247	$ 2.44
Canada and other Western Hemisphere	50	.49	36	.35
	285	2.81	283	2.79
Eastern Hemisphere	256	2.52	200	1.98
Total	$ 541	$ 5.33	$ 483	$ 4.77
Shareholders' equity (end of year)				
United States	$2,543	$25.05	$2,513	$24.80
Canada and other Western Hemisphere	295	2.90	302	2.98
	2,838	27.95	2,815	27.78
Eastern Hemisphere	1,994	19.64	1,725	17.03
Total	$4,832	$47.59	$4,540	$44.81

Investments and Long-Term Receivables

Significant investments in companies owned 50% or less are accounted for on an equity basis. Investments in other companies are stated at cost less applicable reserves, which is less than the equity in net assets of such companies. Dividend income from these companies was approximately equal to the corporation's equity in their earnings.

Taxes

Taxes in the United States and abroad amounted to $3,097 million in 1971, an increase of $463 million over the 1970 total of $2,634 million. Of the increase, income taxes accounted for $235 million, up 61.5% over 1970. Deferred income taxes are provided for significant transactions which affect book and taxable income in different years. Such taxes are not provided for permanent differences between book and taxable income, including the effects of statutory depletion and intangible drilling costs.

	1971	1970
	(In millions)	
Excise and state gasoline taxes	$ 909	$ 837
Import duties	1,399	1,264
Property, production, payroll, and other taxes	171	150
	2,479	2,251
Income taxes—United States and other countries:		
Current	612	391
Deferred	6	(8)
	618	383
	$3,097	$2,634

Inventories

Inventories are valued at cost, which was lower than their aggregate market value. Substantially all domestic inventories of crude oil and petroleum products—representing about 33% of Mobil's worldwide inventories at December 31, 1971, and about 35% at December 31, 1970—are valued under the last-in, first-out method. Other inventories are valued generally at average cost.

Capital and Exploration Outlays

The 1971 capital and exploration programs resulted in a record outlay of $1,038 million, $159 million more than the $879 million expended in 1970.

	1971			1970
	U.S. & Canada	Other Countries	Total	Total
	(In millions)			
Capital expenditures				
Producing	$138	$128	$ 266	$244
Refining	189	55	244	160
Marketing	127	129	256	226
Marine	5	59	64	49
Chemicals	33	5	38	34
Other	39	4	43	42
	531	380	911	755
Exploration expenses				
including non-productive wells	81	46	127	124
	$612	$426	$1,038	$879

Depreciation, Depletion, and Amortization

Annual charges to income for depreciation are computed on a straight-line basis over the useful lives of the various classes of properties or, where appropriate, on the unit-of-production basis.

Capitalized acquisition costs of unproven mineral rights (leases) are amortized on a straight-line basis by charges against income over the full term or an appropriate shorter period. When a mineral right is surrendered, any unamortized cost is charged to expense. When a property is proven productive, the unamortized cost of the mineral right then becomes subject to depletion.

Depletion of the cost of producing properties and amortization of capitalized intangible drilling costs are calculated generally on the unit-of-production basis.

Long-Term Debt

At December 31, 1971, long-term debt amounted to $1,134 million, an increase of $159 million from the $975 million payable at year-end 1970. Long-term debt consisted of the following:

	1971	1970
	(In millions)	
Thirty year 7⅜% debentures due 2001*	$ 193	$ —
Thirty year 4¼% debentures due 1993 (less $15 in treasury)	166	170
Thirty year 2½% debentures due 1976 (less $6 in treasury)	57	57
Other debentures, 4¾% to 7%, due 1980-1986	100	98
Term notes, 4⅛%, due 1979-1988	60	60
Notes payable to banks		
Due 1973-1975, at, to fractionally above, prime	260	260
Various, due 1973-1979, weighted average interest rate 6½%	142	211
Other		
5% to 8% due 1973-1983	156	119
	$1,134	$975

*On January 11, 1972, an additional $7 million was received under delayed delivery contracts on the $200 million 7⅜% debentures due 2001.

Reserves

At December 31, reserves for insurance, employee benefits, and contingencies affecting foreign operations were as follows:

	1971	1970
	(In millions)	
Insurance	$ 44	$ 44
Employee benefit plans	106	102
Contingencies affecting foreign operations	19	19
	$169	$165

The corporation's policy is to fund benefit plan costs currently, except for certain self-administered plans for which estimated costs are accrued currently in the reserve for employee benefit plans.

In the United States, Mobil's employee benefits program provides pensions, group life insurance, and savings plans, as well as several supplementary benefit plans covering such contingencies as sickness and accidents. Affiliates outside the United States also provide for various pension and other benefit programs. Pension programs cover substantially all employees of the corporation.

The total charge to income for pension plans was $41 million in 1971 and $38 million in 1970.

Incentive Compensation Plan

In accordance with the corporation's Incentive Compensation Plan, which was resubmitted to and approved by the shareholders at the 1971 annual meeting, a provision of $6.2 million was made against 1971 earnings for awards granted in early 1972. A provision of $5.8 million was made against 1970 earnings. These amounts were substantially less than the plan permits.

Stock Option Plans

Under the Stock Option Plan approved by shareholders in 1969, options may be granted to key employees to purchase a maximum of 1,000,000 shares of capital stock. No additional options may be granted under the 1960 and 1965 plans. Options are granted at 100% of the fair market value of Mobil stock at the time of the award and generally may be exercised in annual installments after the first year. "Restricted" options, granted prior to January 1, 1964, have a maximum life of ten years; "qualified" options, granted after that date, have a maximum life of five years; "non-qualified" options, granted under the 1969 plan, have a maximum life of ten years.

Transactions in 1971 under the three plans are summarized below:

	1969* Plan	1965 Plan	1960 Plan
January 1, 1971—shares under option	404,820	314,060	97,199
Options granted	—	—	—
Options surrendered or cancelled	(11,275)	(14,800)	(546)
Options exercised at prices ranging from $21.16 to $48.00	(1,550)	(191,720)	(36,656)
December 31, 1971—shares under option	391,995	107,540	59,997
Options exercisable at December 31, 1971	191,610	92,490	47,489
at an average price of	$51.73	$43.45	$34.16

*The balance at January 1, 1971, includes non-qualified options on 383,820 shares granted in 1970 under this plan, exercisable only if and to the extent that qualified options granted under the plan during 1969 are not exercised. Hence, this grant with respect to such shares did not increase the total number of shares subject to option.

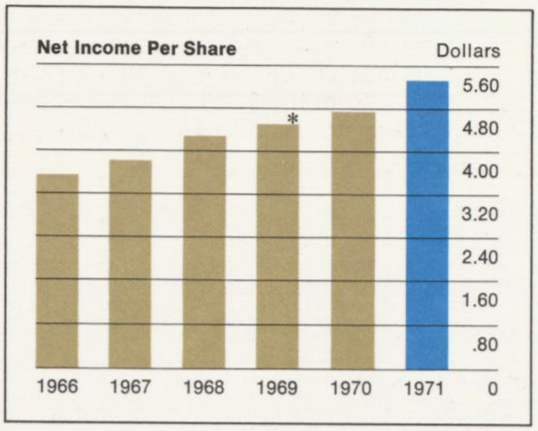
At December 31, 1971, there were 606,455 shares available for option under the 1969 plan.

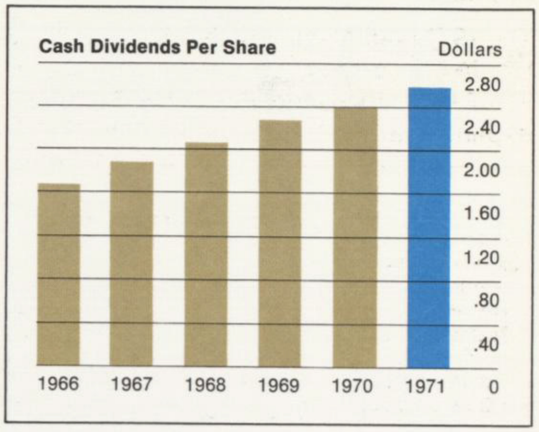
During 1970, options for 58,160 shares were exercised under the 1965 plan and for 47,837 shares under the 1960 plan.

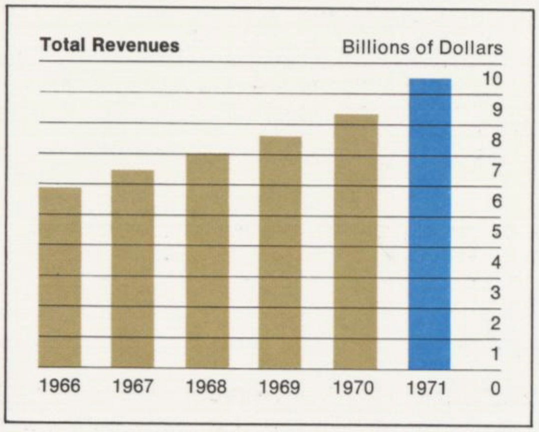
The excess of proceeds over par value of shares issued under the stock option plans, amounting to $8 million in 1971 and $3 million in 1970, was credited to capital surplus.

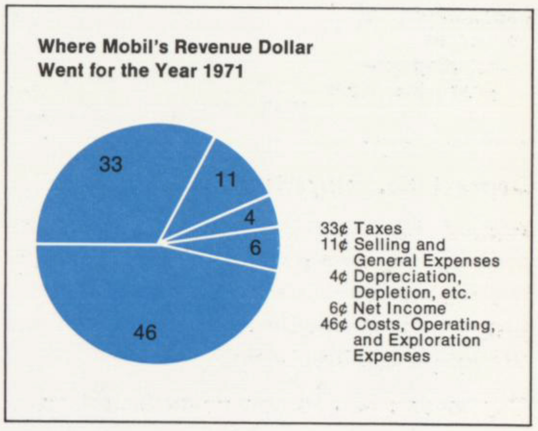
Commitments and Contingent Liabilities

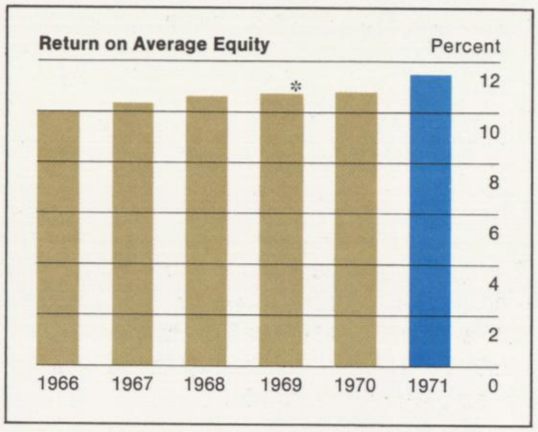
At December 31, 1971, minimum annual rentals of about $71 million were payable

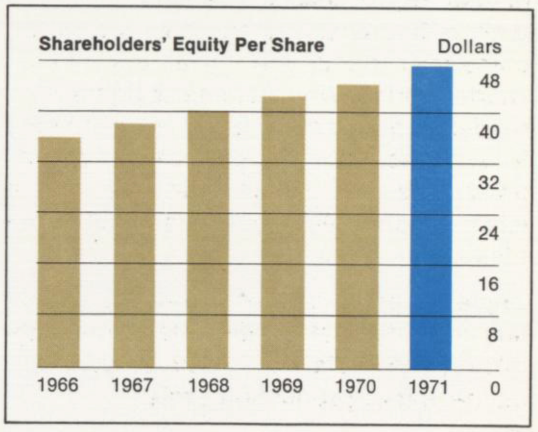

Net Income Per Share


Cash Dividends Per Share


Total Revenues


Where Mobil's Revenue Dollar Went for the Year 1971


Return on Average Equity


Shareholders' Equity Per Share

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*1969 figures for net income per share and return on average equity, as shown in the next two columns, exclude an extraordinary write-off of $22.0 million (net of applicable income tax reduction), or 22 cents per share, related to the corporation's withdrawal from the retailer fertilizer business in the United States.

on non-cancellable leases expiring more than three years from that date, covering such properties as tankers, service stations, and office buildings. Annual rental revenue from all such properties subleased to others is estimated to be $23 million. Substantial commitments were also made in the normal course of business for the acquisition or construction of properties, plants, and equipment (including tankers for time-charter to Mobil).

The corporation has guaranteed approximately $83 million of the obligations of others, excluding certain cross-guarantees (about $41 million) of foreign customs duties made with other responsible companies in the ordinary course of business. In addition, the corporation has guaranteed specified revenues from crude and product shipments under agreements with pipeline companies in which it holds stock interests. If these companies are unable to meet certain obligations, Mobil may be required to advance funds against future transportation charges. No material loss is anticipated under these guarantees.

The corporation is of the opinion that, while the ultimate liability in respect of litigation and other claims pending against the corporation cannot be determined at this time, such liability, to the extent not provided for through insurance or otherwise, is not likely to be of material importance in relation to the corporation's accounts.

Capital Stock

At December 31, 1971, a total of 103,026,192 shares of $7.50 par value had been issued, including 1,483,361 held in the treasury. Shares outstanding at year end totaled 101,542,831, an increase of 229,757 shares during 1971 resulting almost entirely from the issuance of shares under the stock option plans.

During 1970, the corporation purchased 316,100 shares for the treasury; in this same year, 105,997 shares were issued under stock option plans; and 24,868 shares held in the treasury were awarded under the Incentive Compensation Plan.

General

In 1969, the corporation for the first time purchased directors' and officers' liability and corporation reimbursement insurance. This purchase was authorized by an amendment to the New York Business Corporation Law that became effective September 1 of that year. The corporation now has contracts with Pacific Indemnity Company and with underwriters at Lloyds of London and a number of other insurers. These contracts became effective September 1, 1970, for a period of three years at an aggregate annual cost of $105,000. The insurance covers the directors and officers of the corporation and certain designated employees of the corporation and certain subsidiaries—43 positions in all.

PHOTOGRAPHERS' CREDITS
Michael Anguti: pp. 4-5, 8, 13, 16-17, 22.
Joseph Brignolo: p. 12.
Keith Duerden: p. 9, 20 (top).
James Foote: front and inside front cover, pp. 3, 11, 15 (bottom), 19, 20-21 (bottom).
Harri Peccinotti: p. 7, back cover.
William Scovers: inside back cover.
Webb Publishing Company: p. 15 (top).

Report of certified public accountants

Board of Directors and Shareholders
Mobil Oil Corporation

We have examined the accompanying consolidated balance sheet of Mobil Oil Corporation at December 31, 1971 and the related consolidated statements of income, earnings retained in the business and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We have previously made a similar examination of the consolidated financial statements for the prior year.

In our opinion, the statements mentioned above present fairly the consolidated financial position of Mobil Oil Corporation at December 31, 1970 and 1971, the consolidated results of operations and changes in financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis during the period.

Arthur Young & Company

277 Park Avenue
New York, N.Y. 10017
March 1, 1972

Financial statements

Consolidated statement of income

Mobil Oil Corporation

	1971	year ended December 31 1970
Revenues		
Sales and services (including excise and state gasoline taxes: 1971—$908,996,000; 1970—$836,802,000)	$9,152,029,000	$8,097,324,000
Dividends, interest, and other revenue	240,483,000	212,995,000
	9,392,512,000	8,310,319,000
Costs and Expenses		
Crude oil, products, materials, and operating expenses	4,154,105,000	3,673,755,000
Exploration expenses, including non-productive wells	126,526,000	124,299,000
Selling and general expenses	994,708,000	929,204,000
Depreciation, depletion, and amortization	398,392,000	392,138,000
Interest and debt discount expense	81,215,000	74,238,000
Taxes other than income taxes	2,478,491,000	2,251,208,000
Income taxes	618,280,000	382,770,000
	8,851,717,000	7,827,612,000
Net Income	$ 540,795,000	$ 482,707,000

Net Income Per Share	$5.33	$4.77

Consolidated statement of earnings retained in the business

	1971	year ended December 31 1970
Earnings Retained in the Business—Beginning of Year	$3,179,192,000	$2,939,575,000
Net income	540,795,000	482,707,000
Cash dividends paid	(258,798,000)	(243,090,000)
Earnings Retained in the Business—End of Year	$3,461,189,000	$3,179,192,000

See Financial Review on pages 25-28.

Consolidated balance sheet

	December 31	
Assets	1971	1970
Current Assets		
Cash	$ 142,134,000	$ 144,007,000
Marketable securities, at amortized cost (approximating market)	662,148,000	850,634,000
Accounts and notes receivable (less estimated doubtful accounts)	1,534,817,000	1,432,796,000
Inventories:		
Crude oil and products	767,297,000	689,565,000
Materials and supplies	91,133,000	86,728,000
Total Current Assets	3,197,529,000	3,203,730,000
Investments and Long-Term Receivables	766,504,000	621,363,000
Properties, Plants, and Equipment (at cost)		
Producing	3,132,048,000	2,983,387,000
Refining	1,907,714,000	1,687,900,000
Marketing	2,064,914,000	1,842,222,000
Marine	403,578,000	358,913,000
Pipelines	347,644,000	320,886,000
Chemicals	429,807,000	426,488,000
Other	160,113,000	124,523,000
	8,445,818,000	7,744,319,000
Less accumulated depreciation, depletion, and amortization	4,020,616,000	3,794,328,000
Net Properties, Plants, and Equipment	4,425,202,000	3,949,991,000
Prepaid and Deferred Charges	163,038,000	145,965,000
Total	$8,552,273,000	$7,921,049,000

See Financial Review on pages 25-28.

Mobil Oil Corporation

Liabilities and Shareholders' Equity	December 31	
	1971	1970
Current Liabilities		
Accounts and notes payable and accrued liabilities	$1,351,214,000	$1,253,445,000
Income, excise, state gasoline, and other taxes payable	781,365,000	682,494,000
Long-term debt maturing within one year	70,852,000	89,041,000
Total Current Liabilities	2,203,431,000	2,024,980,000
Long-Term Debt	1,134,267,000	974,973,000
Deferred Credits		
Deferred income taxes	151,447,000	148,813,000
Other	40,534,000	46,096,000
Total Deferred Credits	191,981,000	194,909,000
Reserves		
For insurance, employee benefits, and contingencies affecting foreign operations	168,826,000	165,061,000
Minority Interest in Subsidiary Companies	21,835,000	21,023,000
Shareholders' Equity		
Capital stock	772,696,000	770,972,000
Capital surplus	658,948,000	650,832,000
Earnings retained in the business	3,461,189,000	3,179,192,000
	4,892,833,000	4,600,996,000
Less capital stock held in treasury (at cost)	60,900,000	60,893,000
Total Shareholders' Equity	4,831,933,000	4,540,103,000
Total	$8,552,273,000	$7,921,049,000

See Financial Review on pages 25-28.

Consolidated statement of changes in financial position

Mobil Oil Corporation

year ended December 31	1971	1970
Source of Working Capital		
Operations:		
Net income	$ 540,795,000	$ 482,707,000
Depreciation, depletion, and amortization	398,392,000	392,138,000
Deferred income taxes	6,436,000	(8,474,000)
Undistributed earnings of unconsolidated companies	(32,890,000)	(6,641,000)
Total from operations	912,733,000	859,730,000
Book value of properties, plants, and equipment sold	19,525,000	29,087,000
Long-term debt increases	280,909,000	328,336,000
Issuance or sale of capital stock	9,840,000	4,809,000
Total Source	1,223,007,000	1,221,962,000
Application of Working Capital		
Capital expenditures	911,050,000	755,176,000
Investments and long-term receivables	112,251,000	16,257,000
Long-term debt reductions	121,615,000	91,630,000
Purchase of capital stock	7,000	13,393,000
Cash dividends	258,798,000	243,090,000
Other, net	3,938,000	(16,924,000)
Total Application	1,407,659,000	1,102,622,000
Increase (Decrease) in Working Capital	$ (184,652,000)	$ 119,340,000
Increase (Decrease) in Working Capital by Major Component		
Cash and marketable securities	$ (190,359,000)	$ 266,734,000
Accounts and notes receivable	102,021,000	68,971,000
Inventories	82,137,000	78,156,000
Accounts and notes payable and accrued liabilities	(97,769,000)	(98,645,000)
Income, excise, state gasoline, and other taxes payable	(98,871,000)	(159,988,000)
Long-term debt maturing within one year	18,189,000	(35,888,000)
	$ (184,652,000)	$ 119,340,000

DIRECTORS

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George A. Birrell, General Counsel and Secretary
William S. Swayze, Controller

Directors and Officers as of March 1, 1972

TRANSFER AGENTS

The Chase Manhattan Bank, National Association
1 Chase Manhattan Plaza, New York, New York 10015
The Bank of California, National Association
400 California Street, San Francisco, California 94120
Continental Illinois National Bank and Trust Company of Chicago
231 South LaSalle Street, Chicago, Illinois 60690
Canada Permanent Trust Company
1901 Yonge Street, Toronto 7, Ontario, Canada
Canada Permanent Trust Company
315 Eighth Avenue West, Calgary, Alberta, Canada

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Wells Fargo Bank, National Association
San Francisco, California
Montreal Trust Company, Toronto, Ontario, Canada
Montreal Trust Company, Calgary, Alberta, Canada

AUDITORS

Arthur Young & Company, New York, New York

ANNUAL MEETING

The 1972 Annual Meeting of Shareholders will be held on Thursday, May 4, at 10:30 a.m. in the Hotel Commodore, Lexington Avenue and 42nd Street, New York City.

New credit cards, shown above, are being issued to Mobil credit-card customers. The cards have alter-proof signature panels and other security features.

On back cover, Japanese schoolgirl proudly displays a model of Mobil's Flying Red Horse done by origami, the art of paper-folding.

Printed in U.S.A.

Mobil Oil Corporation
150 East 42nd Street
New York, N.Y. 10017